

CIA/RR CB 62-38

No. Pages 5
15 June 1962
Copy No. 17

Current Support Brief

THE BULGARIAN FIVE YEAR PLAN AND ACHIEVEMENTS IN 1961



CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

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THE BULGARIAN FIVE YEAR PLAN AND ACHIEVEMENTS IN 1961

The Bulgarian economy grew at a slower rate in 1961 than is called for in the Fourth Five Year Plan (1961-65) and considerably less rapidly than in 1959 and 1960. According to information recently made available, industrial production increased nearly 10 percent, but agricultural production decreased and national income rose only 2.8 percent.

The poor performance of agriculture in 1961 is further evidence of the lack of realism in the Bulgarian Five Year Plan for agricultural production. Shortfalls in agricultural production are being felt mainly by Bulgarian consumers because of the rapid increase in food exports. Goals of the Five Year Plan for industrial output are not obviously unrealistic, but they depend heavily on the timely completion of large investment projects in heavy industry during the last few years of the plan. The regime will have to raise the rate of growth above current levels during the last half of the plan period to achieve its goals. Completion of the investment projects, in turn, is tied to increased imports of capital goods, to be paid for partly by expanding export of foods. Because of the high priority given to the growth of heavy industry and to exports and because of the uncertain prospects for agriculture, little relief for the consumer is in sight for the remainder of the Five Year Plan.

1. Industrial Production and Investment

According to recently announced directives on the Bulgarian Fourth Five Year Plan, gross industrial production is to increase about 12 percent a year, somewhat more than the 10-percent increase reportedly achieved in 1961, the first year of the plan. The rate of growth in 1961, however, was greater than planned, although much less than that achieved in 1959 and 1960. The year 1961 was one of necessary consolidation following the "Great Leap" of the 2 previous years during which a much more rapid increase in imports than exports and a large rise in the industrial labor force made it possible to exploit existing plant capacity more fully and to raise sharply the level of investment. Higher rates of growth than in 1961 are planned for the second half of the new Five

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Year Plan, when heavy industrial projects now under construction are scheduled to begin operations. As in the past, primary emphasis through 1965 is to be on the growth of heavy industry, with the greatest effort devoted to basic materials, especially metals. The following changes in the percentage distribution of industrial output among the major branches are planned from 1960 to 1965 1/:

	<u>1960</u>	<u>1965</u>
Machine building	11.2	15.4
Chemical industry	3.8	5.1
Ferrous metallurgy	1.1	4.2
Fuel industry	2.8	3.9
Electric power	2.0	2.5
Textile industry	13.3	9.3
Food processing industry	28.9	25.3

Centrally planned capital investments increased only 3.4 percent in 1961, whereas an average annual rate of growth of nearly 9 percent is called for during the Five Year Plan. The small size of the increase reported in 1961 probably was due to the restriction of imports. A large share of the total planned industrial investment through 1965 is tied to a small number of key projects, including the metallurgical combine at Kremikovtsi -- which ultimately is scheduled to raise considerably production of steel in Bulgaria. If some of these projects are not completed on schedule -- and there are indications that lags have already occurred at Kremikovtsi -- the plans for production of some commodities probably will not be fulfilled. It is unlikely, however, that achievements in industry will fall far short of the plan. Targets for growth are commensurate with past performance, and additional labor probably can be found if, as seems likely, labor productivity should lag behind the plan. In addition, further Soviet assistance always is a possibility, should serious difficulties emerge.

2. Agriculture

Although agricultural output in Bulgaria decreased approximately 2 percent in 1961, the Five Year Plan calls for a 49-percent increase in production from 1960 to 1965. Output must therefore rise about 11 percent a year for the next 4 years, a very ambitious objective in the light

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of past experience. To promote agricultural production, the regime plans to increase production of chemical fertilizers more than threefold, sharply increase imports of heavy farm machinery, expand the irrigated land area, and increase the area sown to fodder crops in support of livestock production. Similar measures, however, were inadequate in 1961 and earlier years, and the problem of incentives in Bulgaria's almost completely socialized agriculture remains unresolved. Consequently, neither the plan for agricultural production nor the planned increase of 60 percent in national income from 1960 to 1965 are likely to be achieved.

3. Trade

In 1961 the volume of retail trade in Bulgaria reportedly increased 9 percent. Total per capita personal consumption, however, probably increased very little if at all, and there may have been a decline in consumption in rural areas because of the poor results in agriculture and increased state procurements and exports of foods. There have been many reports of food shortages caused by rising money income, lower supplies, and inefficient distribution. An increase of 45 percent from 1960 to 1965 is planned for retail trade turnover -- a moderate growth by past standards. No planned increases for personal consumption have been released, but they undoubtedly are substantially less than 45 percent, mainly because of the tendency for the consumption of farmers from their own product to decline or stabilize. The planned increase of 47.2 percent in total consumption includes expenditures for defense and other government purposes, which probably are scheduled to grow faster than personal consumption.

Foreign trade turnover is planned to increase 80 percent from 1960 to 1965, or 12.5 percent a year. In 1961, foreign trade increased 10 percent, but imports grew much less than exports. In the future, exports of foods -- especially fruit, vegetables, and grapes -- and of machinery are to grow rapidly. Purchase prices for grapes and tobacco were recently increased to promote production and exports of these items. Trade with the USSR is to continue to comprise about half of Bulgaria's total foreign trade volume and is to insure the bulk of the imports of materials and equipment called for by the plan for investments and heavy industrial output.

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The plan for exports appears to have a very high priority. If, as is extremely probable, agricultural output does not rise as planned, exports of agricultural commodities are likely to expand to the detriment of home consumption, as was true in 1961. Stanko Todorov, Chief of the State Planning Commission, stated in his report to the 8 May Plenum on the Five Year Plan that if unforeseen difficulties arise, the regime "could take some goods out of the commodities fund and destine them for export...", 2/ thus insuring imports of necessary capital goods.

Percentage Indicators of Bulgarian Economic Growth
1956-65

	Annual Rates of Increase			
	1956-60 Average	1961 Planned <u>a/</u>	1961 Actual <u>b/</u>	1961-65 Planned Average <u>c/</u>
National income	9.7 <u>d/</u>	2.0	2.8	9.9
Centrally planned investment	15.1 <u>d/</u>	11.5	3.4	8.9
Gross industrial output	15.9 <u>d/</u>	7.8	9.9	12.0
Industrial labor productivity	5.2 <u>d/</u>	4.1	7.8	8.4
Gross agricultural output	5.7 <u>d/</u>	12 to 15	-2.0	8.3
Retail trade	11.0 <u>e/</u>	6.0	9.0	7.7
Foreign trade	22.0 <u>e/</u>	9.0	10.2	12.5

- a. 3/
b. 4/
c. 5/
d. 6/
e. Estimated.

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